

Message Text

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ACTION ARA-17

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TO SECSTATE WASHDC IMMEDIATE 7502

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TAGS: ECON

SUBJ: SECY' S ECONOMIC DISCUSSION WITH SECVISIT LA: VENEZUELA

1. SECY ROGERS AND PRINCIPALS MET WITH FOREIGN MIN AND OTHER CABINET LEVEL OFFICIALS GOV MAY 15 FOR HOUR AND HALF TO DISCUSS ECONOMIC ISSUES. SUMMARY OF DISCUSSIONS FOLLS:
2. CALVANI WELCOMED SECY' S ARRIVAL MAY 14 STATEMENT THAT ERA OF PATERNALISM PAST AND THAT U S SEEKING NEW EQUALITY IN TRADE AND ECONOMIC POLICY. CALVANI SAID WORLD TOMORROW MUST BE BASED ON EQUALITY AND FOL FUNDAMENTALS: (1) DEMOCRACY; (2) INTERNATIONAL SOCIAL JUSTICE MEANING DEVELOPED COUNTRIES OBLIGATIONS INCREASE IN PROPORTION TO THEIR CAPACITY, AND (3) DEMOCRATIC NATIONALISM. AS EXAMPLE DEMOCRATIC NATIONALISM HE POINTED TO VENEZUELAN POLICY TO DEFEND NATURAL RESOURCES OF WHICH THERE HAS BEEN LACK OF U S UNDERSTANDING AT TIMES. VENEZUELA BUILDING NEW GUIDELINES FOR FOREIGN TRADE WHICH NOT ONLY INCLUDE OIL BUT ALSO REPLACEMENT OF SUBSTITUTION OF
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IMPORTS BY PROMOTION OF EXPORTS DESIGNED FOR WORLD MARKET.

2. SECY ROGERS SAID PURPOSE OF VISIT WAS TO HAVE FRANK EXCHANGE OF VIEWS AND WHILE SOME PROBLEMS EXIST THERE IS A FUNDAMENTAL MUTUALITY OF INTERESTS. U S FORCED TO CONCENTRATE ON MATTERS OF

SECURITY OVER LAST SEVERAL YEARS BUT NOW HAS IMPROVEMENT RELATIONS WITH

SOV UNION AND CHINA AND DIMINISHING PROBLEMS OTHER AREAS. U S NOW ABLE TO FOCUS ON LATIN AMERICA. SECY EMPHASIZED U S POLICY IS TO DEAL WITH EACH NATION AS SOVEREIGN AND INDEPENDENT WITHOUT RAISING UNREALISTIC ASPIRATIONS. U S SUPPORTS MULTILATERAL DEVELOPMENT WITHIN CONTEXT OAS AND REGIONAL DEVELOPMENT SUCH AS ANDEAN PACT. U S NOW IN A POSITION TO BE MORE COOPERATIVE WITH LATIN AMERICA AND PARTICULARLY WANTS VENEZUELAN VIEWS SO THAT THEY MIGHT BE REFLECTED IN U S POLICY.

3. WHEREAS VENEZUELA WAS EXPECTING SPECIFIC POINTS OF NEW U S POLICY CALVANI SAID SECY PROVIDED RATHER GENERAL FRAMEWORK OF U S POLICY. HE REFERRED TO OMINOUS SILENCE WHICH FOLLOWED CONSENSUS OF VINA DEL MAR CONFERENCE IN 69 AND INDICATED HOPE U S WOULD ADOPT SPECIFIC POLICIES FOR EACH COUNTRY FROM WHICH A GENERAL POLICY WOULD DEVELOP. SECY SAID U S SEEKING RESTRUCTURING OF OAS BASED ON GENERAL PRINCIPLES WITHOUT DEMAGOGUERY. HOWEVER IT SHOULD BE NOTED U S PEOPLE FEEL THAT U S HAS BEEN AMPLE WITH ITS RESOURCES TOWARD THE LESS DEVELOPED COUNTRIES. U S HAS DIFFICULTY WITH CONCEPT OF LEGAL OBLIGATIONS TO HELP LDCS. PERHAPS U S AID NOT ALWAYS IMPLEMENTED CORRECTLY BUT THIS NOT DUE TO LACK OF GOOD WILL. OUR EFFORT NOW TO APPROACH PROBLEMS WITH LATIN AMERICA SHOULD BE BASED ON MATURE PARTNERSHIP WHERE PROBLEMS DO NOT IMPAIR RELATIONS. WITH SPECIFIC REGARD TO VENEZUELA, U S NEEDS ITS SECURE SOURCE OF OIL FOR WHICH WE PROVIDED A GOOD MARKET FOR VENEZUELA.

4. DIAZ BRUZUAL, DIRECTOR OF INSTITUTE OF FOREIGN TRADE, INDICATED CONCERN WITH U S TRADE BILL AND ITS EMPHASIS ON UNFAIR COMPETITION. U S RESTRICTIONS AGAINST EXPORT SUBSIDIES COULD HELP VENEZUELAN AS WELL AS RESTRICTION ON EXPORTS CONTAINING IMPORTED TECHNOLOGY. VENEZUELAN EXPORT INDUSTRY CANNOT COMPETE ON SAME BASIS WITH DC' S AND NEEDS ELEMENT OF PROTECTION. AT PRESENT VENEZUELA HAS TWO DRAFT BILLS PROVIDING FOR EXPORT SUBSIDIES. SECY ROGERS SAID U S TRADE BILL HAS WORLDWIDE APPLICATION
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WITH EMPHASIS ON DC TRADE PRACTICES. IT MERELY PROVIDES U S WITH

SAME AUTHORITY THAT OTHER DC' S ALREADY HAVE. TRADE BILL NOT INTENDED TO APPLY TO LDC' S AND IN FACT WILL BE HELPFUL TO LDC' S.

5. BRUZUAL SAID PROVISION THAT PREVENTS APPLICATION OF GENERALIZED PREFERENCES TO COUNTRIES APPLYING REVERSE PREFERENCE COULD RESULT IN VERTICAL TRADE INTEGRATION, THAT IS, TRADE BLOCS. REFERRING TO MINISTERIAL LEVEL MEETING IN TOKYO NEXT SEPT BRUZUAL SAID CONCENTRATION ON TARIFFS ALONE OF LITTLE HELP TO LDC' S AND STRESSED THAT TRADE NEGOTIATIONS SHOULD INCLUDE NON TARIFF BARRIERS AS WELL AS OTHER ISSUES OF INTEREST TO LDC' S.

6. UNDERSECY CASEY STRESSED THAT GATT MEETINGS INCLUDE NTB'S AS WELL AS TARIFFS BUT IT DIFFICULT TO EXTEND SCOPE OF MEETINGS TO OTHER ISSUES. HOWEVER, THERE CAN BE PARALLEL MEETINGS WITHIN OECD AND IMF. SECY ROGERS EMPHASIZED NEED TO TAKE INTO ACCOUNT LATIN AMERICA POSITION WITHIN GATT CONSULTATIONS.

7. DR PEREZ LA SALVIA, MIN OF MINES AND HYDROCARBONS, SAID VENEZUELAN OIL HAS NOT ENJOYED THE SAME PREFERENCE IN THE U S AS OTHER WESTERN HEMISPHERE

COUNTRIES. IT IS IN U. S. INTERESTS TO GIVE PREFERENCE TO VENEZUELA IN LIGHT OF INCREASED ENERGY NEED. HE EXPRESSED DISSATISFACTION WITH SHULTZ REPORT. WHILE VENEZUELA CANNOT HOPE TO SUPPLY ALL U. S. IMPORT NEEDS IT HOPED TO PARTICIPATE IN A PERCENTAGE OF U. S. PREFERENCE. VENEZUELA HAS NOT COMPLETED STUDY U. S. ENERGY POLICY BUT NOTED TOKEN WESTERN HEMISPHERE PREFERENCE 50,000 B/D OF NO. 2 FUEL OIL ELIMINATED. STIMULATION OF CONSTRUCTION OF REFINERIES IN U. S. WILL BE DETRIMENTAL TO VENEZUELA IN OTHER COUNTRIES SINCE IT WILL REDUCE VENEZUELAN ACCESS TO U. S. MARKET FOR REFINED PRODUCTS. INCREASE IN PRICE CRUDE OILS IS ADVERSELY AFFECTING VENEZUELAN OIL PRODUCTION WHICH NOW MUST FACE COMPETITION FROM OTHER SOURCES OF HEAVY OIL. INCREASED DEMAND FOR OIL BY U. S. AND OTHER LDC'S WILL PROVIDE BARGAINING LEVERAGE FOR LDC'S TO INCREASE THEIR SHARE OF WORLD MARKET FOR

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NON/ TRADITIONAL EXPORTS. LA SALVIA LAMENTED SITUATION WHERE DC'S HAVE RICH MARKETS FOR INDUSTRIAL PRODUCTION AND LDC'S CAN ONLY SHARE IN POOR MARKETS. OIL EXPORTERS BELIEVE THAT OIL CAN BE USED AS INSTRUMENT OF NEGOTIATION WITH DC'S TO ACHIEVE MORE EQUITABLE DISTRIBUTION OF OIL IN LINE WITH INTERNATIONAL SOCIAL JUSTICE. VENEZUELA SEEKS MORE THAN MERE PARTICIPATION IN THE SHARE OF OIL PROFITS BUT RATHER COOPERATION BETWEEN THE IMPORTING AND EXPORTING COUNTRIES TO OBTAIN A MORE EQUITABLE SHARE OF INDUSTRIAL MARKETS. SECRETARY ROGERS RESPONDED THAT IN RECOGNITION OF LDC NEEDS, U. S. HAS BEEN SUPPORTING GENERALIZED PREFERENCES. THE U. S. OIL POLICY HAS GENERALLY BEEN WELL RECEIVED BECAUSE THE ELIMINATION OF QUOTAS ENABLES EVERYBODY TO EXPORT TO THE U. S. THE U. S. RECOGNIZES THE NEED FOR DIVERSIFICATION OF EXPORT TO LDC'S BUT OBJECTS TO IMPLICATIONS THAT U. S. OWNS THE MARKET. HE SAID THE PEOPLE OF THE U. S.

DEVELOPED THEIR MARKET AND DID NOT INHERIT IT FROM ANYBODY. SECRETARY ROGERS NOTED THAT THE NEED FOR OIL IN THE U. S. IS GREAT AND THAT IT MUST AVOID OVERDEPENDENCE ON OIL FROM THE MIDDLE EAST. THIS

FACT LEADS NATURALLY TO INCREASED COOPERATION BETWEEN
VENEZUELA AND THE U. S. SECRETARY IND

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